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SUBJECT: CHEVRON UPBEAT ON TRINIDAD PROSPECTS, CROSS-BORDER  
VENEZUELA GAS

SENSITIVE BUT UNCLASSIFIED - PROTECT ACCORDINGLY

11. (SBU) SUMMARY: Visiting Chevron executives want the Trinidad and Tobago (T&T) Minister of Energy to reach out to his Venezuelan counterpart to revitalize negotiations on cross-border natural gas. While T&T is the "demandeur", Venezuela also needs the cross-border gas - to create jobs - and it has the capacity to construct a pipeline and bring it to the domestic market. Chevron's production in T&T is expanding, and company officials are optimistic about the next deep water bid round in 2009, provided the GOTT takes industry advice and offers more appropriate financial terms than in the 2006 bid round. END SUMMARY

12. (SBU) Chevron paid a March 4 call on the Ambassador to introduce the new Caracas-based executives responsible for Latin American and operations in Trinidad and Tobago. Participating in the meeting were Wesley Lohec, the new managing director for Latin America; Nicola Woods, the new general manager for Venezuela Offshore-Trinidad & Tobago; Woods' predecessor Carlos Aguillera, who is departing Caracas to take up duties in Houston as vice president for business development in Latin America and Africa; and Dave Mohammed, resident country manager for T&T. DCM and Economic Chief also attended.

13. (SBU) Coming from an earlier meeting at the Ministry of Energy, Chevron executives were upbeat on prospects for their company to expand its interests in T&T. Production from East Coast Marine Area blocks under a 50/50 joint venture with British Gas has increased from 200 million cubic feet/day (MMSCFD) in 2002 to 500 MMSCFD in 2007, and Aguillera said it was on track to reach 720 or 730 MMSCFD by 2010. Taking into account recent offshore discoveries by Canadian companies, GOTT plans for bid rounds in 2008 and 2009, and increased environmental opposition to downstream aluminum and steel projects, Aguillera and Lohec were upbeat about prospects for a new (fifth) LNG train in Trinidad to increase supply to the U.S. market. In this regard, the Chevron representatives argued that LNG offered much higher value added than the relatively labor-intensive metals and plastics projects the GOTT is currently pursuing.

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On TT-Venezuela Gas, "GOTT Needs to Engage Better"  
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14. (SBU) On the cross-border Loran/Manatee natural gas field, in which Chevron holds interests on both sides of the border, Aguillera said negotiations between T&T and Venezuela have not advanced since June 2007, when the GOTT tabled a field-specific unitization

agreement. Acknowledging that the field is a higher priority for T&T than for Venezuela, Aguillera commented that the GOTT has lost time trying to work through the BRV foreign ministry to get a response to its draft, rather than going directly to the Venezuelan Minister of Energy. (Note: At least one high-level GOTT official has told us in the past that the roadblock to progress on the field resides in the BRV Energy Minister's office.)

15. (SBU) Aguillera welcomed recent public remarks by T&T Energy Minister Conrad Enill as indicating a willingness to engage with his Venezuelan counterpart to get the process moving again. (Note: Addressing a luncheon sponsored by British Gas, Enill had said that the GOTT and Venezuela were re-forming technical teams to restart the process. However, when EconChief contacted Ministry of Foreign Affairs Director for Legal and Maritime Affairs Gerald Thompson, who has overseen unitization negotiations, Thompson saw no need and was unaware of any plans to renew face-to-face technical talks on unitization.)

16. (SBU) Reviewing past progress, Aguillera said the bilateral steering group had worked efficiently and agreed by mid-2006 that an estimated 7 trillion cubic feet (TCF) of natural gas in the Loran/Manatee field would be unitized, of which roughly 2 TCF were allocated to T&T and the balance to Venezuela. The framework unitization treaty signed during T&T Prime Minister Patrick Manning's March 2007 visit to Caracas had set the legal terms for developing the field, but Aguillera opined that Manning had unnecessarily irritated his Venezuelan hosts at that time by pushing an offer to process Venezuela's share of the gas in Trinidad.

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"Don't Assume Venezuela Can't Use the Gas"  
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17. (SBU) On prospects for Venezuela to bring cross-border gas to

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market on its own, Aguillera stressed that Caracas needs the gas to support domestic job creation and its ability to construct pipelines and other necessary infrastructure should not be underestimated. While LNG production is beyond Venezuela's grasp for now, Aguillera observed that a receiving station for natural gas from cross-border and other nearby fields is already under construction in Giuria, just across the Gulf of Paria from Trinidad. Venezuela's success in building a pipeline between Colombia and Maracaibo suggests that a pipeline to carry gas from Giuria is well within its reach, he concluded.

18. (SBU) Aguillera noted that even after a field-specific unitization agreement is signed for Loran/Manatee, the two sides will have many logistical and jurisdictional details to work out so that the field can in fact be developed as if there were no border. Closing the discussion on cross-border gas, Aguillera urged that T&T and Venezuela be left to sort things out for themselves.

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"T&T Deep Water Blocks Need Deep Water Terms"  
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19. (SBU) The Chevron executives welcomed the GOTT's review of financial terms for future off-shore bid rounds, launched after the last round in 2006 attracted only a single bid for one out of eight deep water blocks on offer. Chevron did not bid in 2006, Aguillera noted, because corporate management had rejected T&T's production sharing contract terms, which he described as suitable for drilling in 300 feet of water but not for 3000 feet. Aguillera also pointed out that exploration and development costs have gone up as a result of increased steel costs and increased demand for oilfield services. Chevron has provided its input to the GOTT's review, Aguillera noted, and the company looks forward to bidding on deep water blocks in the bid round slated for 2009.

110. (SBU) COMMENT: While Chevron's profile in T&T is much lower than British Petroleum or Chevron's joint venture partner British Gas, its role in the Loran/Manatee field gives it strategic importance for GOTT efforts to expand natural gas production.

Chevron clearly wants Energy Minister Enill to reach out to his BRV counterpart. Moreover, as AmEmbassy Caracas has previously reported, Chevron hopes the GOTT will stop pushing to process Venezeula's share of unitized gas in Trinidad. Whether the GOTT will act on Chevron's advice remains to be seen. As to prospects for a new LNG train, we do not discount the possibility. However, as much as a new train would benefit GOTT revenues and U.S. energy security, the GOTT appears to put higher priority on creating sustainable jobs in downstream manufacturing, using cheap and reliable supplies of natural gas and electricity to attract investment.

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